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Calendar No. 248

101ST CONGRESS *1st Session*	SENATE	REPORT 101-134

INCOME VERIFICATION FOR CERTAIN VA NEEDS-BASED PROGRAMS

REPORT

OF THE

COMMITTEE ON VETERANS' AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 1633

SEPTEMBER 15 (legislative day, SEPTEMBER 6), 1989.—Ordered to be printed

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101ST CONGRESS
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SENATE

REPORT
101-134

INCOME VERIFICATION FOR CERTAIN VA NEEDS-BASED PROGRAMS

SEPTEMBER 15 (legislative day, SEPTEMBER 6), 1989.—Ordered to be printed

Mr. CRANSTON, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany S. 1633]

The Committee on Veterans' Affairs reports favorably on an original bill to amend title 38, United States Code, and the Internal Revenue Code of 1986 regarding the use of Internal Revenue Service and Social Security Administration data for income verification for purposes of laws administered by the Department of Veterans Affairs and recommends that the bill do pass.

COMMITTEE BILL

The text of the original bill ordered reported and being reported is as follows:

Be in enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

SECTION 1. USE OF INTERNAL REVENUE SERVICE AND SOCIAL SECURITY ADMINISTRATION DATA FOR INCOME VERIFICATION.

(a) DISCLOSURE OF RETURN INFORMATION.—Paragraph (7)(D) of section 6103(l) of the Internal Revenue Code of 1986 is amended—

(1) by striking out "and" at the end of clause (vi);

(2) by striking out the period at the end of clause (vii) and inserting in lieu thereof "; and";

(3) by adding at the end the following new clause:

"(viii)(I) any needs-based pension provided under chapter 15 of title 38, United States Code, or any other law administered by the Department of Veterans Affairs;

"(II) parents' dependency and indemnity compensation provided under section 415 of title 38, United States Code;

"(III) health-care services furnished under sections 610(a)(1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of title 38, United States Code; and

"(IV) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total; except that, in such cases, only wage and self-employment information may be disclosed."; and

(4) by inserting before the period at the end of the heading "or to the Department of Veterans Affairs".

(b) PROTECTION AGAINST IMPROPER USE OF RETURN INFORMATION.—(1) Chapter 53 of title 38, United States Code, is amended by adding at the end the following new section:

"§ 3117. Protection of benefit applicants and recipients from improper use of certain information

"(a)(1) In order to protect applicants for and recipients of the benefits and services described in paragraph (2) of this subsection from the improper use of information obtained from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(l)(7)(D)(viii) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(l)(7)(D)(viii)), the Secretary may not terminate, deny, suspend, or reduce any such benefits or services of an individual until the Secretary has complied with the requirements in section 1137(c) of the Social Security Act (42 U.S.C. 1320b–7(c)), and such requirements shall be fully applicable in the case of such benefits and services.

"(2) The benefits and services described in this paragraph are—

"(A) needs-based pension benefits provided under chapter 15 of this title or any other law administered by the Department of Veterans Affairs;

"(B) parents' dependency and indemnity compensation provided under section 415 of this title;

"(C) health-care services furnished under sections 610(a)(l)(I) and (2)(A), 610(b), and 612(a)(2)(B) of this title; and

"(D) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total.

"(b) In the case of compensation described in subsection (a)(2)(D) of this section, the Secretary may independently verify or otherwise act upon wage or self-employment data referred to in subsection (a) of this section only if the Secretary finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating of total disability.".

(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 3116 the following new item:

"3117. Protection of benefit applicants and recipients from improper use of certain information.".

(c) INITIAL NOTIFICATION OF INCOME VERIFICATION.—Not later than 90 days after the date of the enactment of this Act and prior to obtaining information from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(l)(7)(D)(viii) of the Internal Revenue Code of 1986, the Secretary of Veterans Affairs shall notify applicants for and recipients of the benefits described in subsection (a)(2) (A), (B), and (D) of section 3117 of title 38, United States Code (as added by subsection (b)), that income information furnished by such applicants and recipients may be compared with information from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(l)(7)(D)(viii) of the Internal Revenue Code of 1986. Thereafter, the Secretary shall notify all new applicants for such benefits and for services described under subsection (a)(2)(C) of such section 3117 that income information furnished by them may be so compared and shall periodically renotify all recipients of such benefits and services.

(d) PAYMENT OF ADMINISTRATIVE COSTS.—The costs incurred by the Secretary in obtaining, verifying, and using information disclosed pursuant to the amendments made by subsection (a) shall be paid for out of the Department of Veterans Affairs compensation and pension account, and amounts collected as a result of such actions shall be paid into such account.

INTRODUCTION

On July 27, 1989, the Committee on Veterans' Affairs ordered this original bill (hereinafter referred to as the "Committee bill") favorably reported to the Senate as an original bill.

The Committee bill is substantively identical to a bill, S. 2611, reported by the Committee as an original bill on July 6, 1988, as well as to an identical provision in S. 2011, reported by the Committee on August 1, 1988 and passed by the Senate on October 18, 1988, as H.R. 4741. Senator Murkowski introduced a similar bill, S. 1188, this Congress on June 14, 1989.

The Committee's action on this issue is based on a March 16, 1988, General Accounting Office (GAO) report entitled "Veterans' Pensions: Verifying Income with Tax Data Can Identify Significant Payment Problems" (GAO/HRD–88–24). The study and report had been requested by the Ranking Minority Member (then Chairman) of the Committee, Senator Frank H. Murkowski, on September 10, 1985. S. 2611 in the 100th Congress was developed by the Chairman of the Committee, Senator Alan Cranston, and Senator Murkowski.

SUMMARY OF S. 1633 AS REPORTED

The Committee bill contains amendments to section 6103(l)(7) of the Internal Revenue Code of 1986 and chapter 53 of title 38, United States Code, and free-standing provisions, which would:

(1) Amend paragraph (7) of section 6103(l) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(l)(7)), relating to disclosures of certain third-party and self-employment tax information (from the Commissioner of Social Security or the Secretary of the Treasury) to Federal, State, and local agencies administering certain programs under the Social Security Act (essentially Supplemental Security Income, Aid to Families with Dependent Children, and Med-

icaid), the Food Stamp Act of 1977, or the unemployment compensation program for purposes of income verification, so as to require disclosure to the Department of Veterans Affairs (VA) of (a) all such information for purposes of determining eligibility for VA needs-based pension programs under chapter 15 of title 38 or any other law administered by VA, needs-based parents' dependency and indemnity compensation provided under section 415 of title 38, and VA health-care services based on income status under sections 610(a)(1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of title 38, and (b) only wage and self-employment information from such returns for purposes of determining eligibility for compensation paid, pursuant to section 4.16 of title 38, Code of Federal Regulations, at the total-disability-rating level based on an individual determination of unemployability.

(2) Allow VA, in the case of compensation beneficiaries with total-disability ratings based on individual unemployability, to verify or otherwise act upon wage or self-employment data only if the Secretary finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating of total disability.

(3) Amend chapter 53 of title 38, relating to special provisions pertaining to VA benefit programs, to add a new section 3117 to prohibit the Secretary from using such tax information without first complying with the requirements of section 1137 of the Social Security Act (42 U.S.C. section 1320b–7) relating to independent verification of such data, notification to the individual concerned, and allowing the individual fair opportunity to contest Department findings based on such information.

(4) Require, within 90 days after the date of enactment and before obtaining such return information, that VA notify benefit recipients and applicants that income reported to VA will be subject to verification against such return information and to so notify all new applicants and periodically to renotify all recipients.

(5) Provide that (a) VA's costs of establishing and operating the program under which the return information would be obtained, used, and verified would be paid for out of VA's compensation and pension account, and (b) amounts collected as a result of the program would be paid into that account.

Discussion

BACKGROUND

VA administers several "needs-based" veterans benefits, principally non-service-connected disability pension (paid to certain war-time veterans who have attained age 65 or who have permanent and total disabilities incurred subsequent to their military service); non-service-connected survivors' pension (paid to the spouses and children of certain war-time veterans who die from causes unrelated to their service); and parents' dependency and indemnity compensation (DIC) (paid to the parents of individuals who die of any cause while on active duty or, if subsequent to service, as a result of a disease or disability which arose while the veteran was on active duty). Eligibility for these "needs-based" benefits and the

monthly rates payable depend upon the total income of the beneficiary and his or her immediate family.

In addition, certain veterans with disabilities incurred while on active duty receive service-connected disability compensation at the 100-percent rate (currently $1,468 per month for a veteran with no dependents) even though their disabilities are not severe enough to qualify for a 100-percent disability rating. Such compensation is paid when VA determines that the service-connected disability or disabilities render the veteran unemployable. (The rating awarded in such a case is referred to as an "individual-unemployability" rating.)

The eligibility criteria for VA hospital, nursing home, or outpatient care include certain income criteria, and the eligibility criteria for domiciliary care include a VA determination of income or lack of adequate means of support.

In each ease, eligibility determinations are made by VA on the basis of income data which has been self-reported by the beneficiary. The only program for matching federally-collected data against VA self-reported beneficiary data to verify the latter is with respect to Social Security payments. VA's Inspector General has conducted one-time matches of beneficiary-reported data against other data bases. These one-time matches revealed material discrepancies between data reported by some beneficiaries and data compiled from other sources—for example, wage data provided by Federal and State employers and unemployment taxes paid by private employers based on wages earned.

In order to establish the extent and financial impact of such discrepancies, Senator Murkowski, on September 10, 1985, requested that the GAO conduct a review of the accuracy of self-reported beneficiary income using certain income tax data bases maintained by the Internal Revenue Service (IRS) and Social Security Administration (SSA). Because this review required access to tax-related data, the concurrence of the Joint Committee on Taxation to allow the GAO to act as the Joint Committee's agent was required and obtained. The GAO's review was based on the same data now used to verify income data provided by applicants for the recipients of other needs-based programs such as Supplemental Security Income.

For these benefits, access to certain third-party—such as wage data provided by employers on W-2 forms and interest data provided by financial institutions on 1099 forms—and self-employment tax data (but not any individual income-tax return information) is authorized by section 6103(l)(7) of the Internal Revenue Code (26 U.S.C. 6103(l)(7)). Section 6103(l)(7) does not, however, authorize similar access to VA for verifying the eligibility of recipients of needs-based veterans' benefits.

The GAO reviewed the records of 1.4 million 1984 VA pension recipients and found that nearly half—698,000—reported self-employment income or had income reported for them by third-party sources, to the IRS and the SSA. Of these, 549,000 had a total of $947 million more income on tax recorded than was recorded on VA records. GAO's findings indicated that if only discrepancies greater than $100 are considered, the potential 1984 overpayments totalled $182.5 million paid to nearly 149,000 VA beneficiaries. The GAO further found that only $25.3 million of these overpayments

could have been identified by VA using existing resources and procedures. Access to the same third-party and self-employment tax data available to other agencies for purposes of eligibility determinations would have permitted identification of over $157.2 million in erroneous payments not otherwise identifiable, according to the GAO. The GAO recommended that the Congress allow VA access to such information to permit verification of self-reported beneficiary income. In its comments on the GAO report, VA shared the GAO's concerns regarding verification, noting that the "VA needs the ability to verify wages, interest, and dividends."

As noted above under "Introduction", the Committee bill is similar to S. 1188 and substantively identical to an original bill reported by the Committee last year—S. 2611—and to a provision in S. 2011 reported by the Committee and passed by the Senate as H.R. 4741. By considering and reporting this legislation again this year as both a separate bill and as a provision in S. 13, the Committee underscores the importance of this legislation and the subsequent cost-savings it affords to VA's already overburdened budget.

COMMITTEE BILL

The Committee bill would, effectively on the date of enactment, amend paragraph (7) of section 6103(l) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(l)) relating to disclosures, for purposes of income verification, of certain third-party and self-employment tax information from the Commissioner of Social Security or the Secretary of the Treasury to Federal, state, and local agencies administering certain programs under the Social Security Act (essentially Supplemental Security Income, Aid to Families with Dependent Children, and Medicaid), the Food Stamp Act of 1977, or the unemployment compensation programs, to require generally the disclosure of such information to VA for purposes of income verification in connection with its needs-based pension programs under chapter 15 of title 38 or other laws administered by VA (primarily section 306 of Public Law 95–588); parents' DIC under section 415 of title 38; compensation based on individual unemployability ratings under section 4.16 of title 38, Code of Federal Regulations; and health-care services furnished on the basis of income, incapacitation, or resources under sections 610(a)(1)(I) and (2)(A) (hospital care), 610(b) (domiciliary care), and 612(a)(2)(B) (outpatient care) of title 38.

The bill would also amend chapter 53 of title 38, relating to special provisions in connection with VA benefit programs, by adding a new section 3117, which would prohibit the Secretary from using such tax information without first complying with the requirements of section 1137(c) of the Social Security Act (42 U.S.C. 1320b-7(c)) relating to independent verification of such data, notification to the individual concerned, and allowing the individual fair opportunity to contest Department findings based on such information.

In determining whether a veteran qualifies for individual unemployability compensation, only the veteran's ability to earn a living is relevant, and unearned income, such as dividend payments, has no bearing on this determination. Accordingly, in the cases of disclosures for purposes of verifying entitlement to compensation

based on an individual-unemployability rating, the Committee bill would limit VA's authorization to obtain return information to earned income, i.e., wage and self-employment information.

In addition, to avoid causing needless concern to compensation beneficiaries who, although unable to obtain or maintain a substantially gainful occupation, have some earnings, the Committee bill would allow VA to verify independently or otherwise act upon wage or self-employment data for compensation beneficiaries with individual-unemployability ratings only if the Secretary finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating based on unemployability. The Committee expects VA to evaluate data obtained as a result of the enactment of this legislation using the same standard now used to evaluate self-reported employment information. The Committee emphasizes that, by authorizing VA to verify veterans' self-reported earnings in individual-unemployability cases, it is not suggesting that any changes should be made in VA's eligibility criteria for these benefits, that such criteria are inappropriate, or that this program is experiencing a problem with inaccurate reporting by veterans.

During its consideration of this legislation, the Committee reviewed the provisions of S. 1188. As introduced, that bill contained a provision (subsection (c)) which would have conditioned health-care eligibility on VA providing notice of its intention to verify the veteran's income. The Committee bill does not include this precondition to providing health care because it could create a situation requiring VA to deny care to veterans if it had not fulfilled its own notification obligation.

Subsection (c) of S. 1188 as introduced also contained provisions explicitly making liable for copayments, under section 610(f) of title 38, veterans who obtain hospital, nursing home, or domiciliary care based on self-reporting of incomes qualifying for eligibility without making copayments if it is subsequently determined that they had higher incomes which made them eligible only upon their making copayments. The Committee notes that that result is provided for under current law with respect to both inpatient care under section 610 and outpatient treatment under section 612.

The Committee is greatly concerned that the costs of administering this cost-saving program not be taken from VA's already-overburdened VA General Operating Expenses account, which provides funding primarily for the Veterans Benefits Administration operational expenses, and the Medical Care account and Medical Administration and Miscellaneous Operating Expenses account, which provide funding primarily for the VA health-care facilities and for the Central Office operations of the Veterans Health Services and Research Administration, respectively. Accordingly, the Committee bill would generally provide in new section 3117 that the VA's costs of establishing and operating the program under which the return information would be obtained, used, and verified, would be paid for out of VA's compensation and pension account, and that all the savings under such program would accrue to such account. By providing that collections achieved as a result of the matching of data would be credited to the compensation and pension account,

an on-going augmentation of the account from which the administrative expenses could be drawn would be provided.

The Committee bill would, in a free-standing provision, require that VA notify benefits recipients and applicants that the income data they provide to VA for the purpose of establishing initial or continuing eligibility for benefits would be subject to verification by means of matching against information in reports submitted by employers, financial institutions, and other third parties to the Internal Revenue Service and the Social Security Administration. The bill would require that VA provide this notice within 90 days after the date of enactment and prior to initiating verification and matching of data. Notification to beneficiaries would provide a deterrent to individuals who might otherwise be negligent about reporting their income or consider under-reporting their income and thus, the Committee believes, should result in substantial savings even prior to VA's implementation of verification procedures.

Subsequently, VA would be required to provide notice of the income-verification program to all new applicants for the benefits involved or for health-care services based on income status and periodically to renotify all recipients. In this regard, the Committee urges VA to take steps towards ensuring that benefits recipients receive clear and understandable instructions and explanations regarding the income questions and the subsequent verification process.

The Committee emphasizes that this legislation would neither eliminate nor reduce the entitlement of any VA beneficiary. It would merely provide VA with a tool, previously provided to other Government agencies, to ensure that certain needs-based or earned-income-tested benefits and services are provided in accordance with statutory requirements. In addition to identifying potential overpayments, the Committee expects that VA will use the data which this bill would make available to determine if increased payments are in order in those cases where the data indicate a beneficiary overreported his or her income.

The Committee wishes to further emphasize the requirement in the Committee bill that VA provide beneficiaries with notice of any proposed reductions in payments, the basis for the proposed reduction, and an opportunity for the beneficiary to respond to VA's proposed action, as required by section 1137(c)(2) of the Social Security Act (42 U.S.C. 1320b–7(c)(2)). The Committee also emphasizes the requirement in section 6103(l)(7) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(l)(7)(C)) that the agency—in this case VA—receiving return information protect the confidentiality of that information.

The Committee expects VA to consult with other agencies now using third-party and self-employment return data for eligibility verification in order to gain the benefit of their experience in establishing the procedures and mechanics of a successful data-matching program.

Cost Estimate

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee, based on information supplied

by the Congressional Budget Office (CBO), estimates that the costs and savings resulting from the enactment of the Committee bill (as compared to costs under current law) during the first 5 years following enactment would have a significant favorable budgetary impact—although producing no significant costs or savings in FY 1990—with net savings totaling $639 million in both budget authority and outlays through FY 1994. Last year, CBO estimated that first-year savings of $436 million would be achieved prior to the implementation of verification. The cost estimate provided by CBO this year follows:

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Robert D. Reischauer
Director

September 14, 1989

Honorable Alan Cranston
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the attached cost estimate for a draft bill to authorize access by the Department of Veterans Affairs (VA) to income information reported to the Internal Revenue Service for use in verifying the income reported by recipients of VA needs-based programs. The provisions contained in this draft were ordered reported by the Senate Committee on Veterans Affairs, July 27, 1989.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Robert D. Reischauer

cc. Honorable Frank H. Murkowski
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 14, 1989

1. BILL NUMBER: Draft

2. BILL TITLE: None.

3. BILL STATUS:

As ordered reported by the Senate Committee on Veterans' Affairs, July 27, 1989.

4. BILL PURPOSE:

This bill would amend the Internal Revenue Code of 1986 to authorize access by the VA to income information reported by employers, financial institutions, and other organizations to the Internal Revenue Service (IRS). The VA would be permitted to use this data to verify the income reported by recipients of VA means-tested benefits, primarily VA pension. The provision would also amend title 38, U.S.C., to require the VA to independently verify conflicting data and to provide an opportunity for beneficiaries to contest the findings before benefits are reduced. Further, the VA would be required to notify all affected beneficiaries that reported income will be checked against IRS data. Finally, this section would require that the administrative cost of implementing these provisions bo paid from funds appropriated to the Compensation and Pensions account.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

(by fiscal years, in millions of dollars)

	1990	1991	1992	1993	1994
Benefit Savings					
Budget Authority	0	-84	-185	-257	-268
Outlays	0	-84	-185	-257	-268
Administrative Costs					
Budget Authority	*	16	36	50	53
Outlays	*	16	36	50	53
Net Budgetary Impact					
Budget Authority	*	-68	-149	-207	-215
Outlays	*	-68	-149	-207	-215

* Less than $500,000.

The cost of this bill would fall in budget function 700.

Basis of Estimate

This estimate is based on data from two General Accounting Office reports, VETERANS' PENSIONS: Verifying Income with Tax Data Can Identify Significant Payment Problems (GAO/HRD-88-24, March, 1988) and Improving the Integrity of VA's Unemployability Compensation Program (GAO/HRD-87-62, September, 1987). The GAO estimated that approximately $160 million was overpaid in compensation and pension benefits in 1984 that could have been identified through a match of income reports from beneficiaries and reports to the IRS from employers, financial institutions, and other organizations. While a savings of this magnitude should be attainable eventually, it is expected that administrative difficulties would delay the achievement of this level of savings until 1993.

The estimate above assumes that the first computer match would be run on income reported for calendar year 1989. This data, as reported for VA benefit purposes, should be available in early 1990; IRS data for 1989 income should be available in October-November of 1990. Thus, the VA should be able to begin investigating and adjudicating dissimilar income reports in early 1991.

The GAO estimated that the administrative cost of identifying these overpayments would be approximately $14 million. This assumed an average administrative cost of $20.32 per case, which would cover 1.12 hours of adjudicator time. CBO expects that the average administrative cost would be about 250 percent higher than estimated by GAO for several reasons. First, the VA would be required by the bill to independently verify any reporting inconsistencies and to provide beneficiaries with the opportunity to refute its findings. This would involve considerably more adjudicator time than is provided for in the GAO estimate. Also, the GAO estimate failed to include costs for the collection of prior overpayments, which would further increase administrative costs.

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENT:

The Congressional Budget Office has determined that the budgets of state and local governments would not be significantly affected by the enactment of this bill.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE:

On September 12, 1989, CBO prepared a cost estimate of S.13, the Veterans' Benefits and Health Care Act of 1989, as ordered reported by the Senate Veterans' Affairs Committee on July 27, 1989. Section 703 of S.13 is identical to the draft provision discussed above. The budgetary impact estimated for the two measures is the same.

9. ESTIMATE PREPARED BY: K. W. Shepherd (226-2820)

10. ESTIMATE APPROVED BY:

James L. Blum
Assistant Director
for Budget Analysis

Regulatory Impact Statement

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has made an evaluation of the regulatory impact which would be incurred in carrying out the Committee bill. The results of that evaluation are described below.

The Committee finds that the Committee bill would not entail any significant regulation of any individuals or businesses and would not entail any significant impact on the privacy of any persons. The data involved are currently collected. Under the Committee bill, the existing statutory provisions to safeguard the confidentiality of data and privacy of individuals would apply to the data disclosed to VA under the bill.

The Committee also finds that, except for the paperwork required in connection with the automated exchange of data between Government agencies, the Committee bill would not result in any significant new paperwork. In those circumstances, the amount of paperwork involved would be reasonable in light of the beneficial objectives of the legislation.

Tabulation of Votes Cast in Committee

In compliance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following is a tabulation of votes cast in person or by proxy by members of the Committee on Veterans' Affairs at July 27, 1989, meeting. The Committee voted unanimously to report the Committee bill, as an original bill, favorably to the Senate. The record vote of 10–0 to report the bill favorably was as follows:

YEAS	NAYS
Alan Cranston	
Spark Matsunaga	
Dennis DeConcini	
George J. Mitchell	
John D. Rockefeller IV	
Bob Graham	
Frank H. Murkowski	
Alan K. Simpson	
Strom Thurmond	
James M. Jeffords	

Changes in Existing Law Made by S. 1633 as Reported

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 26—UNITED STATES CODE

* * * * * * *

SUBTITLE F—PROCEDURE AND ADMINISTRATION

* * * * * * *

CHAPTER 61—INFORMATION AND RETURNS

* * * * * * *

SUBCHAPTER B—MISCELLANEOUS PROVISIONS

* * * * * * *

§ 6103. Confidentiality and disclosure of returns and return information

(a) * * *

* * * * * * *

(*l*) Disclosure of returns and return information for purposes other than tax administration.—

(1) * * *

* * * * * * *

(7) Disclosure of return information to Federal, State, and local agencies administering certain programs under the Social Security Act or the Food Stamp Act of [1977.—] *1977 or to the Department of Veterans Affairs.—*

(A) Return information from Social Security Administration.—The Commissioner of Social Security shall, upon written request, disclose return information from returns with respect to net earnings from self-employment (as defined in section 1402), wages (as defined in section 3121(a) or 3401(a)), and payments of retirement income, which have been disclosed to the Social Security Administration as provided by paragraph (1) or (5) of this subsection, to any Federal, State, or local agency administering a program listed in subparagraph (D).

(B) Return information from Internal Revenue Service.—The Secretary shall, upon written request, disclose current return information from returns with respect to unearned income from the Internal Revenue Service files to any Federal, State, or local agency administering a program listed in subparagraph (D).

(C) Restriction on disclosure.—The Commissioner of Social Security and the Secretary shall disclose return information under subparagraphs (A) and (B) only for purposes of, and to the extent necessary in, determining eligibility for, or the correct amount of, benefits under a program listed in subparagraph (D).

(D) Programs to which rule applies.—The programs to which this paragraph applies are:

(i) aid to families with dependent children provided under a State plan approved under part A of title IV of the Social Security Act;

(ii) medical assistance provided under a State plan approved under title XIX of the Social Security Act;

(iii) supplemental security income benefits provided under title XVI of the Social Security Act, and federally administered supplementary payments of the type described in section 1616(a) of such Act (including payments pursuant to an agreement entered into under section 212(a) of Public Law 93–66);

(iv) any benefits provided under a State plan approved under title I, X, XIV, or XVI of the Social Security Act (as those titles apply to Puerto Rico, Guam, and the Virgin Islands);

(v) unemployment compensation provided under a State law described in section 3304 of this title;

(vi) assistance provided under the Food Stamp Act of 1977; [and]

(vii) State-administered supplementary payments of the type described in section 1616(a) of the Social Security Act (including payments pursuant to an agreement entered into under section 212(a) of Public Law [93–66).] *93–66); and*

(viii)(I) any needs-based pension provided under chapter 15 of title 38, United States Code, or any other law administered by the Department of Veterans Affairs;

(II) parents' dependency and indemnity compensation provided under section 415 of title 38, United States Code;

(III) health-care services furnished under sections 610(a) (1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of title 38, United States Code; and

(IV) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total; except that, in such cases, only wage and self-employment information may be disclosed.

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TITLE 38—UNITED STATES CODE

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PART IV—GENERAL ADMINISTRATIVE PROVISIONS

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CHAPTER 53—SPECIAL PROVISIONS RELATING TO BENEFITS

Sec.
3101. Nonassignability and exempt status of benefits.
3102. Waiver of recovery of claims by the United States.
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3116. Authority to sue to collect certain debts.
3117. Protection of benefit applicants and recipients from improper use of certain information.

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§ 3117. Protection of benefit applicants and recipients from improper use of certain information.

(a)(1) In order to protect applicants for and recipients of the benefits and services described in paragraph (2) of this subsection from the improper use of information obtained from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(l)(7)(D)(viii) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(l)(7)(D)(viii)), the Secretary may not terminate, deny, suspend, or reduce any such benefits or services of an individual until the Secretary has complied with the requirements in section 1137(c) of the Social Security Act (42 U.S.C. 1320b–7(c)), and such requirements shall be fully applicable in the case of such benefits and services.

(2) The benefits and services described in this paragraph are—

(A) needs-based pension benefits provided under chapter 15 of this title or any other law administered by the Department of Veterans Affairs;

(B) parents' dependency and indemnity compensation provided under section 415 of this title;

(C) health-care services furnished under sections 610(a) (1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of this title; and

(D) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities; not rated as total.

(b) In the case of compensation described in subsection (a)(2)(D) of this section, the Secretary may independently verify or otherwise act upon wage or self-employment data referred to in subsection (a) of this section only if the Secretary finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating of total disability.

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